

**COLLATERAL ASSIGNMENT AND SUBORDINATION OF DEVELOPMENT  
ASSISTANCE AGREEMENT, TIF NOTE AND TAX ABATEMENT NOTE**

THIS COLLATERAL ASSIGNMENT AND SUBORDINATION OF DEVELOPMENT ASSISTANCE AGREEMENT, TIF NOTE AND TAX ABATEMENT NOTE (this “Agreement”) is made and entered into as of the \_\_\_\_ day of July, 2025, by and among the CITY OF GRAND RAPIDS, MINNESOTA, a municipal corporation existing under the laws of the State of Minnesota (the “City”), the GRAND RAPIDS ECONOMIC DEVELOPMENT AUTHORITY, a body corporate and politic organized under the laws of the State of Minnesota (the “Authority”), KTJ 435, LLC, a Minnesota limited liability company (the “Borrower”), and OLD NATIONAL BANK, a national banking association (the “Lender”).

**W I T N E S S E T H:**

WHEREAS, the Authority has conveyed the real property located in Grand Rapids, Minnesota and legally described on Exhibit A attached hereto and hereby made a part hereof (the “Land”) to the Borrower pursuant to a Quit Claim Deed dated \_\_\_\_\_, 2025, filed of record in the office of the Itasca County Recorder on \_\_\_\_\_, 2025, as Document No. \_\_\_\_\_ (the “Quit Claim Deed”). The Quit Claim Deed, among other thing, creates certain re-entry and take-back rights in favor of the Authority; and

WHEREAS, the City, the Authority and the Borrower entered into that certain Development Assistance Agreement dated as of [\_\_\_\_\_] (the “Development Agreement”), concerning the development of a 132-unit market rate rental housing project on the Land (the “Project”); and

WHEREAS, pursuant to the Development Agreement, the City will execute and deliver to the Borrower that certain Taxable Tax Increment Revenue Note (Oppidan Workforce Housing Project), in the approximate amount of \$4,183,506 (the “TIF Note”) and that certain Taxable Abatement Revenue Note (Oppidan Workforce Housing Project), in the approximate amount of the unpaid principal balance of the TIF Note anticipated to be dated as of February 1, 2036 (the “Abatement Note”); and

WHEREAS, pursuant to a certain Construction Loan Agreement dated as of June \_\_, 2025 (the "Loan Agreement") by and between the Borrower and the Lender, the Lender has made a loan to the Borrower as evidenced by, among other things, a Real Estate Note dated as of June \_\_, 2025 (the "Lender Note") in the original principal amount of \$17,520,000.00 (the "Loan"). The Lender Note is secured by (i) that certain Mortgage and Security Agreement dated as of June \_\_, 2025 from the Borrower in favor of the Lender and encumbering the Project (together with all renewals, amendments, modifications, increases and extensions thereof, the "Mortgage"), filed of record in the Office of the [County Recorder] of Itasca County, Minnesota concurrently herewith, and (ii) certain other instruments (such other documents evidencing or securing the Loan, together with the Lender Note, the Loan Agreement and the Mortgage, as the same may be amended, modified, replaced or restated from time to time, are hereinafter collectively referred to as the "Loan Documents"); and

WHEREAS, the Lender has required, as a condition to the making of the Loan, that (a) the Borrower assign all of its rights under the Development Agreement, the TIF Note and the Abatement Note to the Lender to secure the obligations of the Borrower to the Lender under the Loan Documents, (b) the rights of the City and the Authority under the Development Agreement be subordinated to the Mortgage, and (c) the City and the Authority agree to certain other matters, all as more fully contained herein.

NOW THEREFORE, in consideration of the foregoing recitals and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Assignment. The Borrower hereby assigns to the Lender all of its right, title and interest under the Development Agreement, the TIF Note and the Abatement Note, including, without limitation, the right to receive payments under the TIF Note and the Abatement Note, to secure the Borrower's obligations under the Loan Documents. Notwithstanding this assignment, the Borrower will remain liable for payment and performance of all of its obligations under the Development Agreement. Provided Lender assumes all of the obligations of Developer under the Development Agreement, the City shall provide to Lender the IRR Workforce Grant described in Section 3.10 of the Development Agreement, the Deferred Loan described in Section 3.11 of the Development Agreement, and the IRRR Predevelopment Grant described in Section 3.12 of the Development Agreement, including without limitation the ability to request and receive disbursement of the same pursuant to the terms of the Development Agreement. Notwithstanding anything herein to the contrary, in no event shall the Lender have any obligation to perform any of the Borrower's obligations under the Development Agreement unless and until the Lender expressly assumes the obligations of the Borrower thereunder in accordance with Paragraph 5 of this Agreement. The Agreement constitutes a present and absolute assignment to Lender of the Borrower's rights under the Development Agreement; provided, however, the Lender confers on the Borrower the right to enforce the terms of the Development Agreement so long as no Event of Default (as defined in any of the Loan Documents) has occurred and is continuing under any of the Loan Documents. Upon the occurrence and during the continuance of an Event of Default under any of the Loan Documents, Lender may, in Lender's sole discretion, give notice to the other

parties to the Development Agreement of its intent to enforce the rights of the Borrower under the Development Agreement and may initiate or participate in any legal proceedings respecting the enforcement of said rights. Nothing in this Agreement shall give Lender a greater right than the Borrower to enforce the Development Agreement. Nothing in this Agreement shall be deemed an assignment by the Borrower or an assumption by Lender of the Borrower's obligations, duties, covenants or representations under the Development Agreement.

2. TIF Note; Abatement Note. To perfect the Lender's security interest in the TIF Note and the Abatement Note, upon issuance of each of the TIF Note and the Abatement Note, the TIF Note and the Abatement Note shall be delivered directly to the Lender provided that (i) the TIF Note and the Abatement Note are registered in the name of the Lender, (ii) the Lender provides the City with an executed Acknowledgment Regarding TIF Note in substantially the form attached as Exhibit 2 to the TIF Note and a similar form for the Abatement Note, and (iii) the Borrower shall execute and deliver to the Lender an endorsement to the TIF Note and the Abatement Note, all to be held by the Lender pursuant to the terms of this Agreement. Until payment in full of the Lender Note, the Borrower authorizes and directs the City to make all payments under the TIF Note and the Abatement Note directly to the Lender, and the Lender shall apply any such payments amounts owing under the Lender Note.

3. Representations and Warranties of Borrower. The Borrower hereby represents and warrants that there have been no prior assignments of the Development Agreement, the TIF Note or the Abatement Note, that the Development Agreement is a valid and enforceable agreement and that neither the City, the Authority nor the Borrower is in default thereunder and that all covenants, conditions and agreements have been performed as required therein, except those not to be performed until after the date hereof. The Borrower agrees not to sell, assign, pledge, mortgage or otherwise transfer or encumber its interest in the Development Agreement, the TIF Note or the Abatement Note as long as this Agreement is in effect. The Borrower hereby irrevocably constitutes and appoints the Lender as its attorney-in-fact to demand, receive and enforce the Borrower's rights with respect to the Development Agreement, the TIF Note and/or the Abatement Note for and on behalf of and in the name of the Borrower, or, at the option of the Lender, in the name of the Lender, with the same force and effect as the Borrower could do if this Agreement had not been made.

4. Present Assignment. This Agreement shall constitute a perfected, absolute and present assignment, provided that the Lender shall have no right under this Agreement to enforce the provisions of the Development Agreement, the TIF Note or the Abatement Note or exercise any of its rights or remedies under this Agreement until an Event of Default (as that term is defined in the Lender Note) shall occur and be continuing. The Borrower and Lender represent that this Agreement constitutes a Security Agreement under the Uniform Commercial Code as adopted in Minnesota (the "Code") and shall be governed by the Code. The Borrower acknowledges that, in connection with the execution of this Agreement, the Lender is filing a Uniform Commercial Code financing statement in the office of the Secretary of State of Minnesota showing the Borrower as debtor and the Lender as secured party to create and perfect the security interest created by this Agreement.

5. Event of Default. Upon the occurrence of an Event of Default, the Lender may, without affecting any of its rights or remedies against the Borrower under any other instrument, document or agreement, exercise its rights under this Agreement as the Borrower's attorney-in-fact in any manner permitted by law and, in addition, the Lender shall have the right to exercise and enforce any and all rights and remedies available after a default to a secured party under the Uniform Commercial Code as adopted in the State of Minnesota. If notice to the Borrower of any intended disposition of collateral or of any intended action is required by law in any particular instance, such notice shall be deemed commercially reasonable if given at least ten (10) days prior to the intended disposition or other action. Furthermore, upon the occurrence and during the continuance of an Event of Default, Lender shall have the right (but not the obligation), upon written notice to the City and the Authority, to assume all obligations of the Borrower under the Development Agreement. Nothing herein contained shall be deemed to affect or impair any rights which Lender may have under the Loan Documents. Any payments received by the Lender pursuant to the Development Agreement shall be applied by the Lender against amounts owed by the Borrower under the Lender Note and the Loan Agreement.

6. Representations and Warranties of the City. The City agrees that the Lender shall have no right under this Agreement to enforce the provisions of the Development Agreement or exercise any of its rights or remedies under this Agreement until an Event of Default shall occur and be continuing. The Lender, the City, and the Borrower acknowledge and agree that, to the extent such sums are paid to the Lender or its assigns, the City shall not have further liability to the Borrower for the same and that the sole receipt by the Lender or its assigns of any sum paid by the City shall be in discharge and release of that portion of any amount owed by the City.

7. Subordination. The City and the Authority hereby agree that the payments owed by the Borrower to the City and the Authority under the Development Agreement hereby are and shall remain at all times completely and unconditionally subject and subordinate to the liens, rights and security interest created by the Mortgage and the other Loan Documents and to any and all amendments, modifications, extensions, replacements or renewals of the Mortgage and the other Loan Documents. In furtherance of the foregoing, the obligation of the Borrower to pay to the Authority the "Land Write Down" pursuant to Section 3.4 of the Development Agreement is hereby subject and subordinate to the Mortgage, and the Lender shall have no obligation to pay such "Land Write Down" to the Authority following an Event of Default by the Borrower, and any payment obligations of the Borrower under Section 3.11(8) with respect to the Deferred Loan are hereby subject and subordinate to the Mortgage and the Lender's right to payment of the Loan. The Lender acknowledges that the EDA's rights and remedies against the Developer under Section 5.2 (except for the remedy listed under Section 5.2(5)) of the Development Agreement are unaffected by this Agreement.

8. No Assumption. The City and the Authority acknowledge that the Lender is not a party to the Development Agreement and by executing this Agreement does not become a party to the Development Agreement, and specifically does not assume and shall not be bound by any obligations of the Borrower to the City or the Authority under the Development Agreement, unless and until the Lender enforces its rights under this Agreement.

9. Default Under Development Agreement. Notwithstanding anything to the contrary in the Development Agreement, if the Lender exercises its rights under this Agreement or under the Loan Documents, neither the City nor the Authority will declare an event of default under the Development Agreement; provided, however, that the City's and the Authority's respective obligations under the Development Agreement, and in any event, the City's obligation to make payments under the TIF Note and the Abatement Note is conditioned upon performance by the Borrower or the Lender or their successors of all of the Borrower's obligations under the Development Agreement to the extent provided in the Development Agreement.

10. Notice from the City and the Authority. So long as the Development Agreement remains in effect, the City and the Authority agree to give to the Lender copies of notices of any event of default given to the Borrower under the Development Agreement. In addition, the City and the Authority shall use commercially reasonable efforts to provide the Lender with any such notice of default concurrently with the delivery of such notice to the Borrower; provided, however, failure of the City or the Authority to provide such notice to the Lender will not affect the Lender's, the City's or the Authority's rights and remedies under the Development Agreement. Prior to any termination of the Development Agreement, Lender shall have an opportunity to cure such default within the cure period set forth therein. Furthermore, regardless of whether a default or event of default has occurred under the Development Agreement, the City and the Authority agree to accept from Lender any performance tendered under the Development Agreement by Lender as if the same were tendered by the Borrower; provided however that it is understood and agreed (a) that by tendering performance under any of said agreements, Lender does not assume any of the obligations or duties of the Borrower under or with respect to the Development Agreement unless Lender expressly assumes the Development Agreement in writing as provided in Paragraph 5 above, and (b) Lender shall not be obligated to cure any defaults of the Borrower under the Development Agreement.

11. Amendments. The City, the Authority and the Borrower agree that no change or amendment shall be made to the terms of the Development Agreement, the TIF Note or the Abatement Note without the prior written consent of the Lender.

12. Waiver. This Agreement can be waived, modified, amended, terminated or discharged only explicitly in writing signed by the parties hereto. A waiver by the Lender shall be effective only in a specific instance and for the specific purpose given. Mere delay or failure to act shall not preclude the exercise or enforcement of any of the Lender's rights or remedies hereunder. All rights and remedies of the Lender shall be cumulative and may be exercised singularly or concurrently at the Lender's option, and any exercise or enforcement of any one such right or remedy shall neither be a condition to nor bar the exercise or enforcement of any other.

13. Headings. The descriptive headings for the several sections of this Agreement are inserted for convenience only and not to confine or limit any of the terms or provisions hereof.

14. Addresses for Notice. Any notice from, request, demand or communication hereunder shall be deemed fully given if delivered or served by depositing the same with the United

*Borrower: KTJ 435, LLC*

*Loan No. \_\_\_\_\_*

*Loan Date: June \_\_, 2025*

*Document Title: Collateral Assignment and Subordination of Development Assistance Agreement, TIF Note and Tax Abatement Note and Subordination of Right of Re-Entry*

States Postal Service, postage prepaid, certified or registered, addressed to the parties as set forth below:

If to the City: City of Grand Rapids, Minnesota  
420 North Pokegama Avenue  
Grand Rapids, Minnesota 55744  
Attention: City Administrator

If to the Authority: Grand Rapids Economic Development Authority  
420 North Pokegama Avenue  
Grand Rapids, Minnesota 55744  
Attention: Executive Director

If to the Borrower: KTJ 435, LLC  
400 Water Street, Suite 200  
Excelsior, Minnesota 55331  
Attention: Chief Executive Officer

If to the Lender: Old National Bank  
10710 Town Square Drive NE  
Blaine, Minnesota 55449  
Attention: Kevan Hanson

15. Transfer of Title to Lender. The City and the Authority agree that in the event the Lender, a transferee of the Lender, or a purchaser at foreclosure sale, acquires title to the Project pursuant to foreclosure, or a deed in lieu thereof, the Lender, transferee or purchaser shall not be bound by the terms and conditions of the Development Agreement, except as expressly provided herein provided that a failure to comply with the provisions of the Development Agreement may result in the City terminating the TIF Note and/or the Abatement Note. The City and the Authority agree that in the event the Lender, a transferee of the Lender or a purchaser at foreclosure sale acquires title to the Project pursuant to a foreclosure sale or a deed in lieu thereof, then the Lender, transferee or purchaser shall be entitled to all rights conferred upon the Borrower under the Development Agreement upon satisfaction of the conditions for transfer in Section 4.7 of the Development Agreement and the TIF Note and the Abatement Note, as long as no condition of default exists and remains uncured beyond any applicable cure periods in the obligations of the Borrower under the Development Agreement.

16. Successors. This Agreement and each and every covenant, agreement and other provision hereof shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

17. Severability. The enforceability or invalidity of any provision hereof shall not render any other provision or provisions herein contained unenforceable or invalid.

*Borrower: KTJ 435, LLC*

*Loan No. \_\_\_\_\_*

*Loan Date: June \_\_, 2025*

*Document Title: Collateral Assignment and Subordination of Development Assistance Agreement, TIF Note and  
Tax Abatement Note and Subordination of Right of Re-Entry*

18. Governing Law. This Agreement is made in and shall be construed in accordance with the laws of the State of Minnesota.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

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**[SIGNATURE PAGE TO COLLATERAL ASSIGNMENT AND SUBORDINATION OF  
DEVELOPMENT ASSISTANCE AGREEMENT, TIF NOTE AND TAX ABATEMENT  
NOTE AND SUBORDINATION OF RIGHT OF RE-ENTRY]**

**CITY OF GRAND RAPIDS,**  
**MINNESOTA**, a municipal corporation  
existing under the laws of the State of  
Minnesota

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: Mayor

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: City Administrator

STATE OF MINNESOTA    )  
  ) SS.  
COUNTY OF ITASCA     )

The foregoing instrument was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_, 2025, by \_\_\_\_\_, the Mayor of the City of Grand Rapids, Minnesota, a municipal corporation existing under the laws of the State of Minnesota, on behalf of the City.

\_\_\_\_\_  
Notary Public

STATE OF MINNESOTA    )  
  ) SS.  
COUNTY OF ITASCA     )

The foregoing instrument was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_, 2025, by \_\_\_\_\_, the City Administrator of the City of Grand Rapids, Minnesota, a municipal corporation existing under the laws of the State of Minnesota, on behalf of the City.

\_\_\_\_\_  
Notary Public



**[SIGNATURE PAGE TO COLLATERAL ASSIGNMENT AND SUBORDINATION OF  
DEVELOPMENT ASSISTANCE AGREEMENT, TIF NOTE AND TAX ABATEMENT  
NOTE AND SUBORDINATION OF RIGHT OF RE-ENTRY]**

**GRAND RAPIDS ECONOMIC  
DEVELOPMENT AUTHORITY**, a body  
corporate and politic organized under the  
laws of the State of Minnesota

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_

STATE OF MINNESOTA     )  
  ) SS.  
COUNTY OF ITASCA        )

The foregoing instrument was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_, 2025, by  
\_\_\_\_\_, the \_\_\_\_\_ of the Grand Rapids Economic  
Development Authority, a body corporate and politic organized under the laws of the State of  
Minnesota, on behalf of the Economic Development Authority.

\_\_\_\_\_  
Notary Public

STATE OF MINNESOTA     )  
  ) SS.  
COUNTY OF ITASCA        )

The foregoing instrument was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_, 2025, by  
\_\_\_\_\_, the \_\_\_\_\_ of the Grand Rapids Economic  
Development Authority, a body corporate and politic organized under the laws of the State of  
Minnesota, on behalf of the Economic Development Authority.

\_\_\_\_\_  
Notary Public

**[SIGNATURE PAGE TO COLLATERAL ASSIGNMENT AND SUBORDINATION OF  
DEVELOPMENT ASSISTANCE AGREEMENT, TIF NOTE AND TAX ABATEMENT  
NOTE AND SUBORDINATION OF RIGHT OF RE-ENTRY]**

KTJ 435, LLC, a Minnesota limited liability  
company

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_

STATE OF MINNESOTA    )  
  )  
COUNTY OF \_\_\_\_\_)

The foregoing instrument was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_, 2025,  
by \_\_\_\_\_, the \_\_\_\_\_ of KTJ 435, LLC, a Minnesota limited liability  
company, for and on behalf of the limited liability company.

\_\_\_\_\_  
Notary Public

**[SIGNATURE PAGE TO COLLATERAL ASSIGNMENT AND SUBORDINATION OF  
DEVELOPMENT ASSISTANCE AGREEMENT, TIF NOTE AND TAX ABATEMENT  
NOTE AND SUBORDINATION OF RIGHT OF RE-ENTRY]**

OLD NATIONAL BANK, a national  
banking association

By: \_\_\_\_\_  
Kevan Hanson  
Its: Senior Vice President

STATE OF MINNESOTA            )  
  )  
COUNTY OF ANOKA            )

The foregoing instrument was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_, 2025,  
by Kevan Hanson, the Senior Vice President of Old National Bank, a national banking association,  
for and on behalf of the national banking association.

\_\_\_\_\_  
Notary Public

THIS INSTRUMENT DRAFTED BY:  
Winthrop & Weinstine, P.A. (TJK)  
225 South Sixth Street, Suite 3500  
Minneapolis, Minnesota 55402-4629

*Borrower: KTJ 435, LLC*

*Loan No. \_\_\_\_\_*

*Loan Date: June \_\_, 2025*

*Document Title: Collateral Assignment and Subordination of Development Assistance Agreement, TIF Note and  
Tax Abatement Note and Subordination of Right of Re-Entry*

**EXHIBIT A**

(Legal Description)

[To be inserted from final proforma]